

Top Secret



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10 March 1971

Central Intelligence Bulletin

CONTENTS

25X1

AUSTRALIA: William McMahon has replaced John Gorton as prime minister. (Page 6)

25X1

USSR: Speeches at the party congress reportedly will present a sober assessment of relations with the US. (Page 8)

25X1

LIBYA: Oil negotiations (Page 12)

25X1

Approved For Release 2003/06/12 : CIA-RDP79T00975A018500020002-3

Next 6 Page(s) In Document Exempt

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AUSTRALIA: The new prime minister and Liberal Party leader William McMahon brings to his posts a depth and breadth of government experience and expertise equaled by few of his colleagues.

Although no tally was issued, the former foreign minister and deputy party leader is believed to have won handily today as party leader within a Liberal caucus once the former prime minister, John Gorton, had been narrowly defeated on a confidence motion. Gorton has become the deputy party leader.



William McMahon

McMahon, 63, has been a member of the House of Representatives since 1949 and a cabinet member since 1951. He served with particular ability as treasurer from 1966 to 1969. Partly because of differences with Gorton on economic policy, he was shifted from the treasury to the foreign affairs portfolio in 1969.

The new prime minister has been a firm supporter of the Australian-American alliance, of an Australian military presence in South-east Asia, and of the allied commitment in Vietnam. He has displayed some sensitivity, however, over the degree of US influence on the Australian economy through extensive private American investment.

McMahon leads a coalition government composed of the Liberal and Country parties which has a majority of six in the larger and more important 125-member House of Representatives. In the 60-member Senate, where the coalition is in the minority, its control depends on support from the small Democratic Labor Party.

(Photo)

10 Mar 71

Central Intelligence Bulletin

6

25X1

25X1

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25X1

USSR: Speeches at the party congress will present a sober assessment of relations with the US but will emphasize Soviet "victories" in other areas of the world [REDACTED]

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[REDACTED] the Soviet Communist Party has distributed the themes of the congress to its own membership and to the parties of Eastern Europe. They have been told that the congress will provide evidence of the "serious" state of relations with the US and will portray these relations as unlikely to improve in 1971. US actions in Indochina and alleged intransigence at SALT are noted as particular problems.

On the other hand, the congress will hail three foreign policy "victories": Soviet advances in the Mediterranean area to where their hand is "resting on top of the oil wells," the move from fighting to talking with China, and the Soviet and Polish treaties with West Germany. In the area of domestic affairs, the congress will dwell on two "victories": the good 1970 harvest and the promise of improved consumer welfare under the new five-year plan.

These themes are fairly predictable. Although it is improbable that anything will be said at the congress that would close the door to continued US-Soviet negotiations on various issues, the treatment of relations with the US will probably appear particularly gloomy in contrast to the "triumphs" in other areas of foreign relations. Criticism of the US is undoubtedly seen by many in the CPSU as especially necessary to maintain Communist "vigilance" if improved relations with Western Europe are to be emphasized.

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[REDACTED]
[REDACTED] until this report there has been remarkably little authoritative communication from Moscow on the prospects for the congress. Soviet leaders seem to be scratching to compile a positive

10 Mar 71

Central Intelligence Bulletin

8

25X1

record and program that will head off criticism of their performance. Some East Europeans believe that the eruption of popular dissatisfaction in Poland in December seriously disturbed the Soviet leadership and that the shock has not yet fully worn off. The Polish outbursts certainly contributed to the decision to beat the drums on consumer welfare.

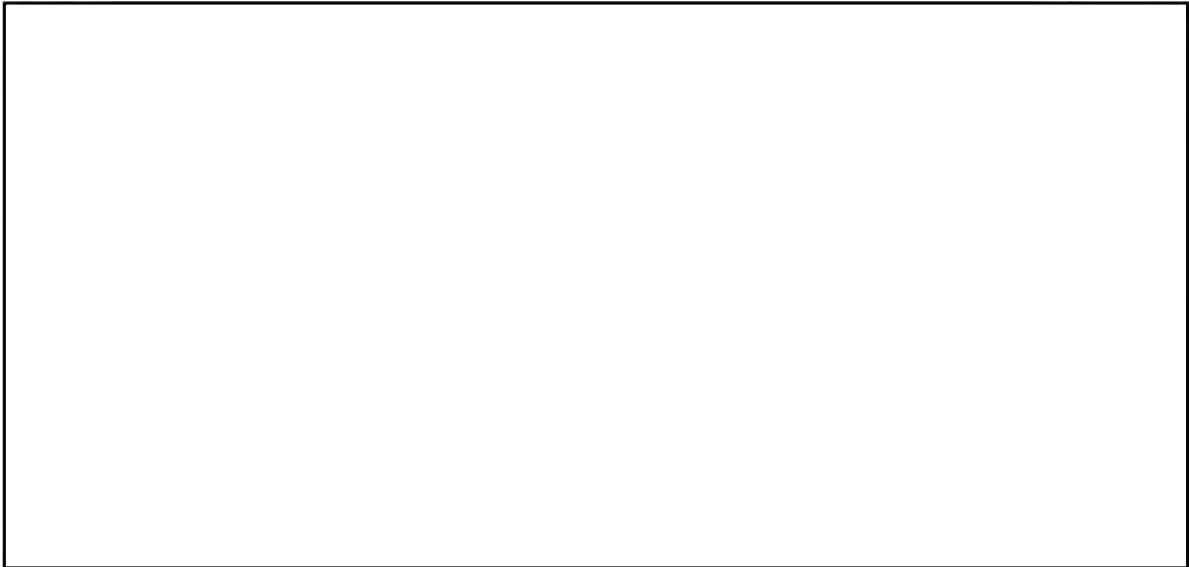
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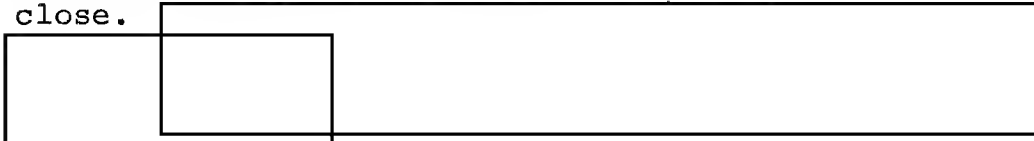
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Next 1 Page(s) In Document Exempt

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LIBYA: After going to the brink with oil company negotiators last Sunday, the Libyans reportedly modified their demands at subsequent meetings and now appear to be seeking a negotiated settlement. The gap between Libyan price demands and the companies' counteroffer has narrowed, but reinvestment of some company profits and retroactive payments continue to be problems. Libya is to report the results of the negotiations on Thursday to the other OPEC members with output on the Mediterranean--Algeria, Iraq, and Saudi Arabia--but has indicated a willingness to postpone that meeting if a settlement is close.



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